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**PILSNER URQUELL AND SKODA – INFLUENCE OF  
BREWERY AND FACTORY ON THE CITY OF PILSEN –  
HISTORICAL AND ECONOMIC PERSPECTIVE**

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Prohlašuji, že jsem práci zpracoval(a) samostatně a použil(a) jen  
uvedených pramenů a literatury.

*Plzeň, duben 2012*

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## **PODĚKOVÁNÍ**

Děkuji vedoucímu mé bakalářské práce Bc. Skylandu Kobylakovi za hodnotné rady, dále děkuji všem, kteří přispěli do mé bakalářské práce, ať už zodpovězením mých otázek nebo poskytnutím potřebných informací, a rovněž děkuji mé rodině za podporu během studia.

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## **1 INTRODUCTION**

The present bachelor's thesis deals with the impact of Pilsner Urquell brewery and Skoda Works on the city of Pilsen from a historical and economic point of view. This topic was selected because the concepts of Pilsner Urquell and Skoda have been an integral part of the city for years and yet one does not see the information and connections despite living here. I therefore decided to explore the history of the place where I live and to provide the reader of the thesis with a comprehensive view of this issue.

The main objective of this thesis was to determine whether these two companies influenced the development of the city, and if so, to what extent. Obtaining information for preparation of the thesis was by no means easy as it might seem. Many books have been published in the form of short essays and interspersed with pictures or photographs. Therefore, the sources for the preparation of the thesis were not only printed books or Internet sources, but also materials obtained for example in the brewery archives or obtained from employees of the company, etc. The text itself is divided into four chapters. The first chapter deals with the history and the present of the two companies as well as of the city. The second chapter focuses on the findings of the previous chapters and provides specific examples of impact of the companies on the development of the city in various fields. In the third chapter, the general vision of the future is presented and the last chapter brings opinions and interesting facts relating to the brewery and Skoda in the form of questions and responses.

## **2 FROM HISTORY TO PRESENT**

### **2.1 History of Pilsen**

Pilsen was founded in 1295, by order of king Wenceslas II, by the locator Jindrich at the confluence of four rivers Uhlava, Uslava, Radbuza and Mze on a "green turf", i.e. unpopulated land. Originally, however, the town was situated where Stary Plzenec is nowadays, but the geographic



location of the town did not allow broader development of the town as required by that era, and as a result of economic and political conditions the old castle county ceased to exist and gave impetus to build a new one. Towns that were granted privileges by the sovereign were called royal towns, other ones were liege towns. Pilsen was one of the royal towns. In the 15th century the town was besieged by Hussites four times, but it was never conquered by them. In the early 16th century the town suffered several fires, which burned three quarters of the town. In 1599–1600, Roman Emperor and Czech King Rudolf II left Prague for one winter because of plague and his court moved to Pilsen. It thus became the capital of the kingdom at that time. To this day, the house where the emperor lived in the square is called Imperial and it houses a tourist information centre. During the Czech Estates uprising, Pilsen was besieged and in 1618 conquered for the first time by troops under the command of Prince Mansfeld. The new boom in the city came about only in the 19th century with the advent of the Industrial Revolution. New industrial enterprises were founded, particularly the Burgess' Brewery and Skoda Works. Of course, there were more enterprises in Pilsen such as a match factory, rubber and starch factory, vinegar works and many others. All of them, however, were small businesses, still mainly controlled on the basis of traditional craft production and most of them soon disappeared, while the Burgess' Brewery and the Skoda Works were managed in the capitalist spirit of the enterprise since the very beginning. [1], [2], [3], [4]

## **2.2 History of the Brewery**

### **2.2.1 Foundation of the Brewery**

There were two main reasons for establishing a joint brewery.

1. The first reason was the import of beer from surrounding areas which was of higher quality and cheaper. Beer brewed in Pilsen was traditionally over fermented, soon perishing, while elsewhere in Bavaria under-fermented beer was brewed. (There are some related legends about a proof of quality of the beer and the maltster. Each brew of beer was tested at the town hall in a way that a sample of beer was spilled over a bench and the maltster had to sit there until the beer dried off and until the aldermen let him

stand up. If he lifted the bench when standing up, the beer was decent. If he failed to lift the bench, he was punished.)

2. The reason was an event in February 1838 when 36 barrels of beer were emptied in the square in front of the town hall because the beer was deemed undrinkable. The legend says that Vaclav Mirwald, owner and keeper of the Golden Eagle inn, stated after this incident: "What we need in Pilsen is good and cheap beer. Let the citizens with brewing rights<sup>1</sup> build a brewery for themselves!" [5], [6], [7]

This statement gave rise to the idea of Pilsen's own brewery. It was hard to reassert the idea of a joint brewery but in the end it was supported by the majority (250) of burgher brewers including the above mentioned Vaclav Mirwald, Fr. Pankraz and Fr. Wanka. The first actual action was sending of a deputation (to obtain permission to build their own brewery and to ban drawing of foreign beer in Pilsen) to the then burgomaster of Pilsen – Martin Kopecky – who supported the burgher brewers' idea. Therefore in September 1839, work began on digging the foundations. The land for construction of the brewery was chosen very carefully. Eventually a plot was behind Radbuza was chosen, outside the town, in a place called Bubenc. When choosing the location, the fact that there was sandstone bedrock in this area, which was suitable for the establishment of cellars (digging of cellars was actually completed only in 1906, and in 1995 the cellars were made available to the public) was taken into account.

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<sup>1</sup> The right to brew beer is one of the privileges that every royal town (Pilsen since its foundation) had. It was a right that applied to houses (of the inner city) and the homeowner had permission for malting, brewing and drawing of beer. It means he was allowed to produce and draw beer in his own house. Therefore he is called burgher brewer. [8]

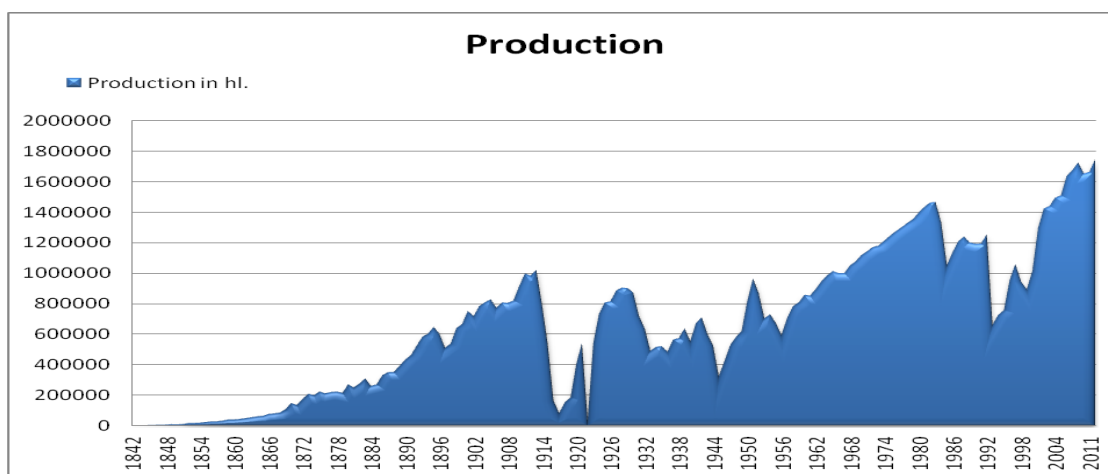
The construction of the brewery finished 3 years later, i.e. in 1842. According to the then town archivist Martin Hruska, the cost of brewery building was 180,000 florins of Viennese currency. The money was taken from the common treasury of the burgher brewers. [9], [10]

### 2.2.2 Production

On 5 October 1842, the first brew of under-fermented light lager was brewed under the guidance of Bavarian maltster Josef Groll of Vilshofen. To this day, this historical date is commemorated by the event known as Pilsner Fest. [11]

The original brewery, which was not a very large building, expanded virtually every year. Also, year after year the volume of beer brewed was growing. The growth in production was due to the growing interest in Pilsner beer. [12]

Chart 1: Overview of Production



Source of Chart 1: Made by author based on information from brewery Pilsner Urquell [13]

The continuous rise was only interrupted during the two world wars. The WWI first paralyzed the production by drafting a substantial part of the workers to the front and later the production almost stopped because of lack of raw material. During the WWII, production gradually decreased to the half of the level of 1914. The Nazis incorporated the brewery into their controlled economy. In December of 1944 and April 1945 (a few days before the end of the war) the breweries were almost destroyed by

Anglo-American air raids. The amount of damage caused by air raids to the breweries was estimated at 300 million pre-war crowns. Despite that, after the liberation of Czechoslovakia by the Soviet Army, dozens of thousands of voluntary hours were worked and the first post-war brew was made already on 24 October 1945, the day when the president Edvard Benes issued a decree on the nationalization of the Burgess' Brewery in Pilsen as well as of Pilsner Stock Breweries. On 1 July 1947, the organization received the official name Pilsner Breweries, National Corporation in Pilsen. [14], [15]

### **2.2.3 Export and Sales**

Until the railway boom, distribution of beer was secured by delivery men who contributed to the expansion of Pilsner beer. Delivery men purchased Pilsner beer and distributed it. First they sold beer at random and later regularly to inn-keepers along the way. The most important ones were Martin Hora, Antonin Loder and Martin Salzman. The first one left the job after a leg injury and founded a pub in Pilsen called U Salzmanu. [16], [17]

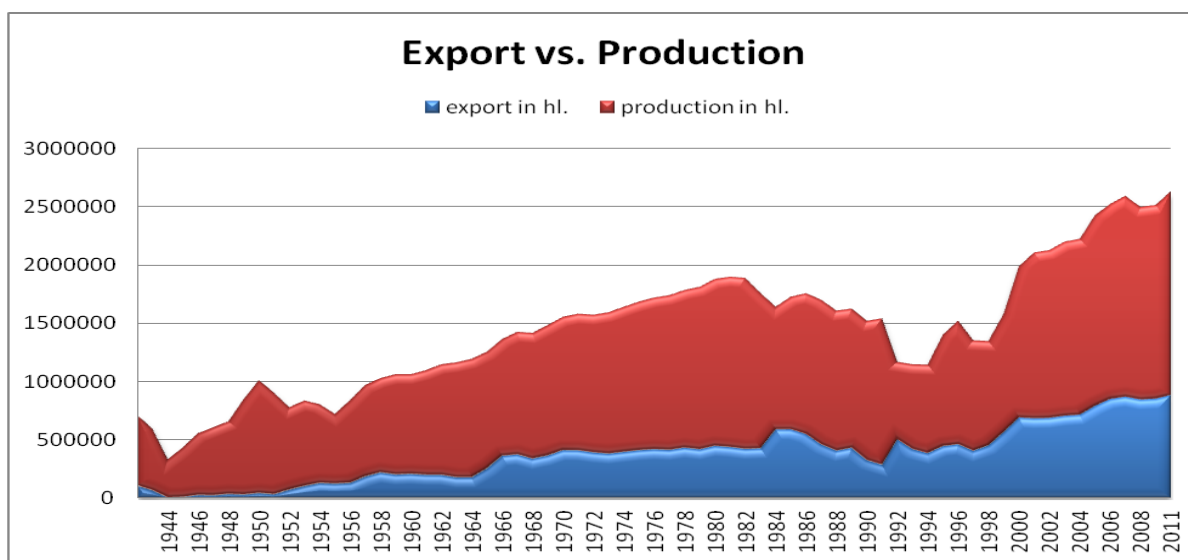
Already in 1842 beer was transported to Prague and step by step to other cities as well. In 1853 it was common to draw Pilsner beer in spa towns such as Mariánské Lázně, Karlovy Vary and Teplice, where it was discovered by patients from German lands and France. This ensured the world expansion of the brand. Three years later, i.e. in 1856, Pilsner beer got to Vienna, which was the first export abroad. Due to the increasing interest in Pilsner beer and in order to avoid frauds of passing other beers off as Pilsner beer, the first trademark Pilsner Bier was registered at the Chamber of Commerce and Trade on 1 March 1859. However, due to increasing number of breweries that also produced Pilsner beer and benefited from the fame of the Burgess' Brewery, there was another change in 1898 when the Pilsner Urquell trademark was registered. [18], [19]

The fact that Pilsen became a part of the railway network in 1862 was important for the technical development of the works and increase in sales. In 1865,  $\frac{3}{4}$  of beer was for export. In 1869 the first official representation of the Burgess' Brewery abroad, namely in Paris, was

established. Since then the export kept expanding. In the 70's of the 19th century to the US, Spain, Switzerland, in the 90's to Great Britain and Russia and in 1936 to India.[20]

The WWI decreased the sales possibilities but in the late 20's, the share of Pilsner breweries on the total export of beer from Czechoslovakia was 75–85%. Another obstacle was the above mentioned WWII. [21], [22]

Chart 2: Overview of Production and Export



Source of Chart 1: Made by author based on information from brewery Pilsner Urquell [23]

## 2.2.4 Competition

The ever-growing local industry achieved in the late 60's of the 19th century the abolition of the brewing right which meant that only the Church, the nobility and the bourgeoisie of royal towns were allowed to brew and sell beer. A new Land Act was passed that allowed free founding of breweries and drawing trades under the Trade Code.

The general development of capitalist industry and the great success of the Burgess' Brewery gave impetus to the foundation of a

second brewery, founded by German capital, which was in 1869 the First Stock Brewery in Pilsen (Gambrinus since 1919). The establishment of the second modern brewery was backed by 20 financially strong entrepreneurs (including knight Emil Skoda, founder of the Skoda Works, which will be mentioned later when dealing with the Skoda Works) who had long before the abolishment of brewing right been familiar with the planned Act and began the construction of the brewery under the pretext that they were building a distillery. [24], [25]

In terms of export, the Stock Brewery was a very dangerous competitor of the Burgess' Brewery. Over time, however, the competition between the Burgess' and Stock breweries was levelled and in some cases they even jointly defended their interests against foreign exploitation of the "Pilsner beer" brand. Both breweries strongly protested against the foundation of another brewery, but unsuccessfully. It was founded in 1894 under the name Pilsner Community Brewery on Beranovka (later known under the name of its stout – Prior). However, it ensured them already at its foundation that it did not want to be a competitor of the older Pilsner breweries but rather it wanted to expand where there were no sales of Pilsner beer yet. In 1895 and 1896 there were two reports on establishing two more breweries but both applications were turned down. [26], [27]

However, in the first years of the 20th century, a project of German Länderbank, which managed to obtain a permission to build a new brewery in Pilsen, proved to be a dangerous plan. Since Länderbank integrated financially strong groups and individuals and had significant direct relations, there was no other option than purchasing the whole project from Länderbank. This happened in 1904 for an amount of over one million of then crowns. There was no other way, especially for the Burgess' Brewery, of protection against founding other breweries. Another solution for the existing Pilsner breweries was buying up land which thanks to its location near the water and the possibility of establishing a railway siding provided good conditions for the construction of the brewery. This entailed financial losses, but on the other hand it often happened that the land was later sold under very favourable terms (e.g. the Burgess' Brewery sold lands for 440,805 crowns which it had purchased for 56,000 crowns). [28]

In 1909 the idea of founding a new brewery emerged again. This time it was the Trade Bank, which, however, said that if it was offered a decent price, it would be willing to sell the project. Although the Burgess' Brewery, the First Pilsner Stock Brewery and the Community Brewery offered 200,000 crowns, the agreement was not reached. Therefore in 1910 the fourth brewery was founded under the name of Czech Pilsner Brewery Inc. in Pilsen – Svetovar. [29]

Fierce competition of the four breweries in Pilsen in export as well on the domestic market led eventually to the fact that an idea, so far unofficial, to joint all of the Pilsen breweries into one group emerged. This idea rooted mainly in the mind of the oldest and financially strongest Burgess' Brewery. Especially after the WWI when foreign trade was very limited, there was a fierce battle between the breweries to dominate the domestic market. For comparison: The share of all Pilsner breweries together on the domestic market was 10% before the war and 90% after the war (in the late 20's).

In 1925 the first merger took place between the Pilsner Community Brewery Prior and the Burgess' Brewery because of financial straits into which Prior had got. Production in Prior was stopped and in 1928 the company itself was deleted from the Commercial Register. In the meantime, the Burgess' Brewery purchased a part of Gambrinus shares. Furthermore, the Burgess' Brewery played a role in the merger of breweries in Stary Plzenec and Stenovice where 10° was to be brewed, and secured the majority of shares from the Pilsner Bank. The fear of competition of 10° beer made Gambrinus brewery conclude an agreement under which the Gambrinus was to merge with the Stary Plzenec and Stenovice and take over the production of 10° beer and the Burgess' Brewery was to produce 12° beer. Burgess' Brewery traded the shares of the two above breweries for shares of Gambrinus. After the transaction, the Burgess' Brewery owned a total of 71% of shares of the merged brewery Gambrinus, thus gaining total control over it. This way there was the only competitor left in Pilsen and surroundings, Svetovar. It

merged with Gambrinus in 1932, giving origin to the Pilsner Stock Breweries. The share capital amounted to 2 250,000 crowns which meant that the most powerful brewery group in the country was formed in Pilsen. [30], [31]

### **2.2.5 From Nationalization to privatization**

- As it has been said, on 28 October 1945 the nationalization of the Burgess' Brewery and Pilsner Stock Brewery was announced. Two years later, national corporation Pilsner Breweries was founded.
- In 1958, existing West-Bohemian Breweries, NC, were affiliated to the Pilsner Breweries and merged into one economic unit (it included Urquell, Gambrinus, Blatna, Tachov, Plasy, Stod, Domazlice and others).
- On 1 April 1959 the independent enterprise Gambrinus was temporarily closed down and merged with Urquell. A unit was formed, named Pilsen Works.
- In 1964 there were more mergers – of thirteen united breweries in Western Bohemia. The whole business is named West-Bohemian Breweries.
- In 1992–1994 it was privatized and a joint-stock company Pilsner Urquell was formed.
- In 1999 Pilsner Urquell, Inc. became a part of the South African Breweries plc. (SAB).
- Three years later, i.e. in 2002, SAB purchased the majority of shares of the second largest U.S. brewery, Miller Brewing Company. This way SABMiller<sup>2</sup> was formed, which is the majority owner of shares of Pilsner Urquell, Inc. In the same year, mergers with companies RADEGAST BREWERY, Inc. and Velke Popovice Brewery, Inc. were completed, thus forming a single joint-stock company called Pilsner Urquell, Inc. [32], [33]

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<sup>2</sup> SABMiller is one of the world's largest brewing companies with brewing activities or distribution in over 60 countries across six continents.



This is the end of the part dealing with the brewery. The second enterprise which has to be mentioned is Skoda Works.

## **2.3 History of Skoda**

### **2.3.1 Foundation**

In the 40's of the 19th century, Pilsen took off remainders of its medieval shell by bringing down the city walls, it lost the character of a fortress and became the focus point of the new capitalist entrepreneurship. It was in this period of changes, in the city which became the centre of the industrial reconstruction of the whole region that the future Skoda Works was founded. The cradle of the Skoda Works was the Waldstein ironworks<sup>3</sup> in Sedlec u Stareho Plzence. In 1859 the ironworks owner, count Ernst Waldstein, had the newly built engineering works, built in 1856, relocated to Pilsen as a branch. It was situated between Kovarska and Budilova streets. (It remains unknown why Waldstein decided to relocate the just-built engineering works from Sedlec to Pilsen. No proofs so far have been discovered that could give a clear answer to this question. There are only hypotheses that this decision was made in connection with the construction of the Czech Western Railway (railway between Prague and Nuremberg, the Austrian section Prague-Pilsen-Domazlice was 181 kilometres long. Pilsen, as an important railway junction, would then have conditions for the emergence of new industry and the engineering works built there would surely prosper. Another related consideration was the presumption that if there already was Waldstein's engineering works in Pilsen, other subjects considering construction of another engineering works would surely change their minds). The year 1859, when the construction of buildings of

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<sup>3</sup> The ironworks originally belonged to Vojtech Cernin who bequeathed them to his sister's grandson Christian Waldenstein and he did so to his son Ernst Waldenstein. The Waldenstein family had been engaged in ironmongery since the 18th century. They belonged to nobility which wanted to convert their old feudal estate into a capitalist one. ("Feudalism is a social order based on land ownership and servitude, while capitalism is a social and economic system based on the maximum utilization of resources, private property and free market.") [34], [35]

the engineering works started, became the date of foundation of Skoda Works and at the same time a milestone in the history of Czechoslovak engineering. The engineering works originally consisted only of a one-floor building with blacksmith shop, boiler shop and the actual engineering workshop. The engineering works was commissioned one year later, i.e. in 1860. The number of employees then amounted to 120. [36], [37], [38]

### **2.3.2 Initial Production**

At the beginning, the newly built engineering works produced anything ordered by somebody. It not only produced (for example pumps, bearings, parts of milling machines, gasket and screws), but also repaired (steam and sugar-works machines). The main customers were both Pilsner breweries, Pilsner gasworks and later the supplies were delivered to more distant places. This was due to the wide production program of the engineering works. [39]

The engineering works prospered fairly well, suffering only from the permanent lack of working capital, which did not allow taking long-term loan contracts. At the beginning of 1866 the amount of orders declined and the situation of the plant deteriorated as a consequence of the threat of impending war with Prussia. The number of employees dropped to only 44. At this time the vacancy of chief engineer was filled by 27-year-old Emil Skoda. [40], [41]

### **2.3.3 Emil Knight of Skoda**

With Emil Skoda taking over the position of chief engineer, the engineering works, still Waldstein's then, was brought to a different dimension. Although there have been different owners over 153 years, probably everyone will recall just this man. Therefore a few words will be dedicated to him.

Emil Skoda was born on 18 November 1939 in Pilsen. He was a grandson of locksmith Jan Vojtech Skoda (the lattice of the U Slunce house in Presovska street was allegedly made in his workshop), a son of

doctor Frantisek Skoda who was awarded the Order of the Iron Crown and knighted<sup>4</sup> for organizing medical aid to the wounded in the Austro-Prussian War (1866). [42]

The outbreak of the Prussian-Austrian war had fateful importance also for Emil Skoda. At that time he was working in Germany in a local engineering works and as a citizen of a hostile state he had to leave Germany in two days. He returned to Pilsen, where his father arranged him a place in the Waldstein's engineering works, as already mentioned above. Skoda set to work and tried to introduce the operating practice he had got to know in Germany to the engineering works. [43]

The prosperity that followed the Prussian-Austrian war as well as an improved organization of the engineering works enabled to gain significant new contracts (construction of the gasworks in Ceske Budejovice or reconstruction of the Pilsner brewery). At that time the boom of engineering works took place, leading to expansion of the production program. Increasing requirements for the production required new investments. Waldstein, however, could not provide more and more financial resources as he did not own only ironworks in Sedlec and engineering works in Pilsen. Emil Skoda therefore decided to purchase the engineering works and build it according to his ideas. It happened on 12 June 1869. The purchase price was 167,642 florins. A considerable amount was provided by his father Frantisek Skoda and also his uncle Josef Skoda, who deposited at the Vienna Credit Institute a million florins on Emil Skoda's account. [44], [45], [46]

### **2.3.4 Engineering Works under the Leadership of Emil Skoda**

While Count Waldstein hardly ever entered the factory gates, the new owner set up a flat next to the factory in order to be as close to his property as possible. He would spend more time in the factory than at home, although he had three daughters and one son. The factory was everything for him. From the moment the engineering works merged inseparably with his name, it was a period of rebuilding and growth. The

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<sup>4</sup> hence the title of knight

company expanded up to Karlova Street. In that area, he began building an iron and metal foundry in 1871, and a year later a new engineering hall too. Among other things, the number of employees was growing. At the time of purchase, the engineering works was employing about 120 people. A figure from 1900 (the death of Emil Skoda) can be used for comparison – there were 3,000 employees. [47], [48], [49], [50]

The “Viennese crash” in 1873 was followed by an economic crisis that affected Pilsen too. It ended with a general decline. A total of 22 important Pilsner enterprises (including the General Trade and Credit Bank) fell into bankruptcy. The enterprises that survived include only two large companies; Skoda, almost intact by the crisis (thanks to export to Russia and also due to the fact that the enterprise cooperated with the banks that survived the effects of the crisis) and the Burgess’ Brewery. The crisis and depression then continued for several years until 1878–1879. [51], [52], [53]

The 80’s is the period of a turnover. In 1882 a new blacksmith shop was established in Skoda Works and three years later the foundation stone of the new steelworks was laid. The reason for this was that steel castings imported from Germany were expensive and delivery times were long, which hampered the development of engineering works. Skoda therefore came to believe that for the future of the factory and its independence it was necessary to build his own steelworks. At the same time, it was also necessary to provide sufficient transport capacity for the furnace batches and transport of heavy castings. For this reason, construction of works siding 1200 meters long, and a marshalling depot connecting the factory with the railway Pilsen–Cheb started. [54], [55]

In Pilsen, the foundations were made of a combined engineering and metallurgical works, which was later in 1889 accompanied by armament production. As in the 70’s the engineering works was the heart of the Skoda factory, since the 80’s it was the steelworks and in the 90’s it was the arms factory from which Skoda was expecting a lot. (The plan was to produce rapid-fire guns with carriages, field guns, machine guns and armoured ammunition of all kinds, etc.) Large development of the works necessitated the construction of new workshops, but there was no space for them. At that time the works occupied the area of approx. 50

thousand m<sup>2</sup> within the city, where it could no longer expand. Skoda therefore bought a new plot of 300 thousand m<sup>2</sup> next to the railway line Plzeň-Cheb. The following decade of development of Skoda works saw the efforts to gradually transfer all factories and workshops to the new space without disrupting the smooth operation of the enterprise.<sup>5</sup> At that time, Skoda works already employed 1350 employees. [56], [57]

The extensive construction also required large financial resources that were beyond the possibilities of an individual. That meant the only solution was to convert the enterprise to a joint-stock company. On 14 December 1899, the purchase price of Skoda works was determined at 7.5 million florins. Skoda became the managing director and chairman of the Board.<sup>6</sup> Unfortunately, he could not continue to watch the business growth. He prepared various plans for the construction and equipment of new workshops, but due to his premature death on 8 December 1900 his plans were not materialized.<sup>7</sup> [58]

### 2.3.5 After death of Emil Skoda

At the turn of the 19th and 20th centuries, there were more and more workers coming to Pilsner works, among whom many domestic and foreign experts, technicians, designers, engineers and researchers, who brought new ideas and experiences. Pilsen gradually turned into an industrial centre with widely branched fields of business. Since the mid-19th century until early 20th century, the individual fields developed as follows: The first place was occupied by transport where employment

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<sup>5</sup> As regards metallurgical production, the first to build was the steelworks (in today's place). A then prospectus stated that at the beginning of production, the steelworks was able to cast a piece weighing up to 18,000 kg. [59]

<sup>6</sup> Since then Skoda Works, a joint-stock company in Pilsen. [60]

<sup>7</sup> He died on the way from the spa in Styria in a train compartment. It was reported that his death was preceded by a short illness. His son later in a memory of his father stated that the cause of death was a kidney and intestinal inflammation. [61]

increased by 960%. In the second place, there was processing of metals (460%) and the third was engineering (344%). The rise in these two sectors was mainly due to Skoda Works. The next rank was occupied by processing of food, beverages, foodstuffs and catering where the number of employees increased by 269%, then construction trades (264%), trading (236%), paper and leather industry (234%), the increase in other fields was less than 100%. Comparison with the population of Pilsen: In the mid-19th century, Pilsen had 23,691 inhabitants, in 1880 38,883, in 1890 50,221 and in the early 20th century 68,079 inhabitants. [62]

The result was obvious. Given the rapid industrial development and growth of population, the town Pilsen turned into a big city and the high concentration of population in Pilsen caused difficult housing conditions. The municipality did not want to spend money building the city as required by its rapid development, so it left the construction of apartment houses in suburban neighbourhoods to entrepreneurs and limited itself to a formal inspection. Pilsen therefore grew quite spontaneously, as needed, without zoning, correspondingly to the expansion of the city. On the outskirts, blocks of new houses were built and the villages Skvrnany, Bolevec, Doudlevce, Lobzy and Doubravka were growing. [63]

The municipality representatives were meeting requirements of Skoda Works since the very beginning. They were not opposed to its expansion on the old land between the blocks of houses, even though they knew each other building up worsened the environment for the citizens in its vicinity. They were proud of Skoda Works and recognized its economic benefit to the city and city residents. When Skoda died, the city was in mourning (especially the German part of the city that considered the Skoda family be one of them)<sup>8</sup>. The growth of Skoda engineering works, later Skoda works, contributed to the development of the city and

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<sup>8</sup> After the death of Emil Skoda, there were concerns about the future of Skoda Works. Soon, however, it turned out that essentially nothing had changed. It was expected that the new director of engineering works would be his son Karel, but the Board appointed Jiri Günther. Karel Skoda was appointed only in 1909. However, he preferred other activities to managing the company. During World War I, Skoda guns proved good to the extent that Karel Skoda was awarded a title of baron by Francis Joseph I and collected a variety of state and military orders. After the formation of the Czechoslovak Republic, under the pressure from the government, he was forced to sell his shares and leave for Austria. [64]

welfare of its bourgeoisie.<sup>9</sup> It significantly contributed to the industrial and technical development of the Czech lands and Austria. A well-run works, but not standing out among other Czech engineering works, turned into a modern and broadly equipped enterprise of national importance, which not only had a good tradition<sup>10</sup>, but also a wide production program and a great capacity. [65], [66]

The following table gives an overview of production capacity of Skoda Works new workshops:

	<u>Production capacity / year</u>
Boiler shop	65 steam boilers
Bridge works	3,700 tons of various iron construction, steel skeletons of buildings, cranes, etc.
Iron and metal foundry	3,000 tons of grey cast iron (1 cast of 20,000 kg)
Steelworks	9,000 t cast steel products (1,750 t casts for ship construction 1,600 t casts for steam machines 1,350 t casts for mining and metallurgy 1,600 t for railway 1,000 t for electrical machines, etc.)

This capacity was not fully utilized during the life of Emil Skoda and long after his death. [67]

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<sup>9</sup> Bourgeoisie is a term for the urban population (higher class). [68]

<sup>10</sup> Good reputation and tradition of the works was due to supplies of well-established products. In engineering, it was the following supplies: 4,500 tons of various devices, such as complete hoisting and pumping machinery with steam and electric drive, 25 complete sugar works, 70 times complete equipment of brick works and porcelain works, 5 times complete equipment of cement works, etc. The new tradition of arms production was just emerging. [69]

The Skoda Works entered the 20th century by achieving success at the World Exhibition in Paris, where particularly its weapons received attention, competing thus with products of much older arms factories. The name of Skoda Works began to appear among the world's largest exporters of arms in the so-called "Big Five". This included Krupp, Schneider, Vickers-Armstrong, Mitsubishi and Skoda. Skoda also attended many fairs and continuously expanded its dealership not only in Europe but also in distant (exotic) countries. [70]

Shortly after that, the capitalist world experienced economic problems that turned into a global economic crisis.<sup>11</sup> The fight for world markets, industrial raw materials and cheap labour grew. As an advance sign of the World War I, arms production rose sharply, which brought about an increased need for steel. [71], [72], [73]

At the beginning of the World War I, Skoda works were under military administration and became the main supplier of the Austro-Hungarian army. The first years were very hard – high demands for discipline and performance. People worked 11 hours a day and the housing as well as supply and earnings conditions were inadequate. In 1916 it was clear that the war was going to be prolonged. Just like Germany, Austria-Hungary also increased arms production. The production peaked in 1917 when Skoda works were employing about 30,000 workers and 1,700 officials. Metallurgical production included then 79,000 tons of ingots<sup>12</sup>, 19,000 tons of steel castings, 9,400 tons of iron castings and 1,800 tons of nonferrous metals castings. In the same year, a ministerial decree guaranteed Skoda Works the exclusive right to produce guns of all calibres for ten years (from January 1917 on). [74], [75], [76]

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<sup>11</sup> The industries in the Pilsen area most affected by the crisis were iron works processing metals. In three plants, a total of 27% of the workers were dismissed. The crisis was also manifested in wages and contracts. The management of Skoda tried to secure contracts from the Army and consolidate or expand participation of Skoda in cartels of Czech engineering works and thereby soften the effects of the crisis. [77]

<sup>12</sup> Ingot is a semi-factored metal product for further processing. [78]



But the war ended in 1918<sup>13</sup>, there was a collapse of Austria-Hungary and the independent Czech-Slovak state was founded. The collapse of Austria-Hungary meant a loss of the most important customer of the enterprise, the consumer of arms products. Skoda Works benefiting from the war was affected by the post-war crisis and fell into an economic collapse so deep that it found itself on the brink of bankruptcy. The factory premises were surrounded by suddenly unnecessary at that time unsaleable products. Banks lost interest in the Skoda Works, so the reluctance of banks to provide financial backing led to collaboration with French capital. In September 1919, the Skoda Works became a part of Schneider and Cie Creusot groups. A part of the arms works was converted into the production of steam locomotives, and production of milk centrifuges, tobacco machinery, trucks, etc. was introduced. [79], [80]

### **2.3.6 Expansion and Growth of Skoda Works**

Since 1921, after merging of United engineering works with Skoda, the production program was constantly expanding, depending on taking on more works: foundries Prague-Smichov, Hradec Kralove, iron and steel works in Hradec u Rokycan, coal mines in the Most and Pilsen basin, in 1925 there was a 100% takeover of Laurin and Klement motor works in Mlada Boleslav<sup>14</sup> and one year later an aviation division in Prague was purchased and converted into a joint-stock company AVIA. In 1927 Skoda acquired an electrical works in Brno and the following year engineering works in Adamov were purchased. The production program kept expanding and the Skoda Works was an engineering concern able to meet almost any requirements in the engineering field. The concentration

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<sup>13</sup> During the 4 years of war (1914–1918), in comparison with other cities where there was a notable reduction in population as many men went to the front, Pilsen saw a great growth of population and the working class. Before the war, the total population was 80,343, in 1916 the population exceeded 100,000 and at the end of the war, there were already 110,000 inhabitants. Thousands of workers of different nationalities of the monarchy were ordered to work in the industrial factories of the city, particularly in the Skoda Works. [81], [82]

<sup>14</sup> Extensive construction started and Skoda Works became one of the largest car manufacturers in Czechoslovakia (at first under the original brand, but soon under the Skoda one). [83]

of production reached a level that matched the largest foreign concerns. In addition to traditional arms, Skoda also produced equipment for power utilities, transformers, cars and lorries, tractors, excavators, boats, planes, tanks, bridge constructions, cranes, trolleybuses, traction motors, machine tools, diesel engines, cigarette and packaging machinery, steam turbines, which reached the world level, electric locomotives, it built power plants, sugar works, breweries, distilleries... Among other things, the first locomotives with cast vanadium steel frame left the Skoda workshops, and Skoda also boasts Europe's primacy in construction of the first all-welded arched bridge or, in that time the only one, high-pressure steam power plants built by Skoda and operating in many parts of the world (such as Shanghai). Since 1923, Skoda Works has been marking its products with a trademark (today's look) – a winged arrow in a circle. [84], [85], [86]

The strength and power of Skoda Works can be demonstrated by the following figures. In 1926 the production means were calculated at CZK 900 million. This amount was more than 4 times greater than the share capital, which was 225 million. The area built up by factory and ancillary buildings totalled to 700,000 m<sup>2</sup>. The number of workers and officials was about 32,000. From 1926 to 1929 the turnover of the Skoda group increased by 123%. From a broader perspective, we can say that the group was employing 17% of metal industry workers of the Czechoslovak Republic and the turnover achieved represented 20% of the turnover of this sector in the country. [87]

This huge development was interrupted by a deep economic crisis that began in 1929 by the “Black Friday” on the New York Stock Exchange and ended in 1933. After the end of the crisis, arms production again began to boost in the production program. In 1938 the French company Schneider sold its share to Czechoslovak banks for the amount of \$ 9 590,750. A year later, the World War II broke out and on 1 September 1939, Skoda fell into Nazi influence. Situation changed, Skoda owners and managers were replaced, German management was introduced and later the enterprise became an arms works incorporated into the German group Reichswerke Hermann Goering. Before the occupation, in the period of Europe preparing for the fight with Germany, Skoda had been involved in the Czechoslovak-Soviet business

transaction. The work of Skoda workers (products, manufacturing experience and projects) in time of war at least partially contributed to the consolidation of the Soviet Union military force in the fight against fascist Germany. The Soviet Union, besides the United States, was later one of the liberators of Czechoslovakia. [88], [89]

### **2.3.7 Anti-War Fight**

At the time of incorporation of Skoda into the German concern, Skoda became a mainly arms and ammunition factory again, but mainly German constructions were included in the production. Although Skoda was forced to produce arms that were abused by reactionary forces of that time, it never became, thanks the will of the majority of its employees, a volunteering, initiative “arms factory of the new Europe”. Despite various measures of the occupiers against the organized resistance, there were manifestations of resistance. At the time of cultural anniversaries or religious feasts, there were demonstrations with considerable spontaneous participation. A large, though silent, demonstration was held in Pilsen on the day of anniversary of Czechoslovakia on 28 October 1939. It gained considerable importance thanks to Skoda workers, who after the end of the day shift went through the main gate of the works in Tylova Street and marched in procession in the streets of the city. Besides them, railway workers also took part as well as other citizens of Pilsen. The movement against Nazism involved a total of 1,200 persons. Various diversions<sup>15</sup> were organized. Rails were blown up, trains were derailed, electrical and telegraph lines were interrupted, destruction materials were prepared, etc. In addition to intentional delaying and sabotage, the production was also interrupted by frequent alarms and

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Josef Laufer, inter alia, Czech actor and singer whose father is a Czech doctor and his mother is Spanish, was born in France, his brother in England, and until he was 8 years old, he lived with his family in London. In an interview for Radio Impuls he expressed his gratitude to Pilsen citizens for saving his life (in particular Skoda employees). During the war, when London was bombed, one bomb fell into the bomb shelter in which he and his family were hiding. However, the bomb did not blow up, and when it was later explored by bomb disposal officers, after opening the bomb they discovered that the bomb was filled with sand and there was a paper inside reading “Death to fascists”. [90]

delays of means of transport. During 1943 and 1944, in the Pilsen region, there were arrests of a total of 1,150 participants of the resistance movement directed primarily by the Communists, who became the most organized force during the war (they formed several illegal regional headquarters). Only in Skoda, 506 people were arrested and in the years 1939–1945 1,007 people were arrested. [91], [92]

On 25 May 1945, a few days before the end of the war in Europe, when the Nazis were not able to take a single screw away from Pilsen to the front, approximately 500 American bombers tripped over 5,000 cluster, phosphorus and incendiary bombs. The air raid of the U.S. Air Force caused enormous damage to the works. 70% of the enterprise was destroyed by the bombing.<sup>16</sup> (The U.S. Ambassador L. A. Steinhardt personally tried to explain the substantiation of the bombing to Skoda workers). The raids also affected the station, brewery and dairy, and hundreds of houses were completely destroyed and thousands damaged. The raids took toll of over 769 lives of Czech people and 542 people were injured. As to the extent of damage, Pilsen was identified as the most affected city in the country. Damage was estimated at eight and a quarter billion crowns. [93], [94], [95], [96]

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<sup>16</sup> Karel Pichlik and Karel Bartosek in their book “Americans in Western Bohemia in 1945” state that the Americans did so from selfish reasons; they wanted their heavy industry monopolies to get rid of competition. [97]

### 2.3.8 From the Post-War Construction until Present

After the liberation of the city by U.S. forces led by General Patton on 6 May 1945, restoration and construction of the enterprise was in progress. During the restoration, 100,000 unpaid voluntary hours were worked. Thanks to the hard work of all workers who participated in the reconstruction of Skoda, and despite all the reports, especially by Western experts, who wrote down Skoda as a possible competitor, in the same year the first locomotive Skoda left the factory gates and after a year of recovery work, 70% of the works was in operation. Other important enterprises were quickly restored, such as breweries, which soon after the war began exporting Pilsner Urquell. Although the complete restoration lasted for several years, thanks to the hard work and restoration of the enterprises, Pilsen step by step recovered from the war consequences.<sup>17</sup> [98], [99], [100], [101]

In the post-war period, the production program of Skoda Works focused on rehabilitation of the national economy, particularly engineering. On 7 March 1946, the Skoda Works became a national corporation.<sup>18</sup>,<sup>19</sup> In the same year, ironworks and rolling mills in Hradec u Rokycan, motor works in Mlada Boleslav, and aircraft producer AVIA were detached. Four years later, i.e. in 1950, the reorganization of industry took place. Foundries in Prague-Smichov and Hradec Kralove were detached and the works in Pilsen became an independent enterprise. Under this reorganization, the enterprise handed over a part of

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<sup>17</sup> During the post-war decades, under the slogans “Let’s build new Pilsen” or “For a more beautiful environment and appearance of the city”, Pilsen started to change step by step. The historic centre was restored and modernized in order to maintain the historical look for the future. The dominant of Pilsen became the tower buildings of housing estates in Slovany, Bory or Doubravka. The city spread to the west by the new housing estate in Skvrnany and the construction of the largest housing estate in Lochotin was completed. The relevance and importance of the city kept growing. It became a political and administrative centre, a university city, and the seat of the regional theatre scene. The city later had a new Chamber Theatre, a museum, a zoo and a botanical garden, a number of playgrounds, a football and ice-rink stadium, etc. [102], [103]

<sup>18</sup> Since 1951 it was allowed to use the name V. I. Lenin Works for meeting and exceeding the plans laid down by the Communist Party. [104]

<sup>19</sup> Over 100 enterprises were nationalized in Pilsen. [105]

the production program to other producers in order to be able to focus mainly on heavy engineering and electro technology. In the following years, the enterprise reduced the series production (which affected tractors, pumps, excavators, car engines, turbo compressors, etc.) and focused on unit production with higher technological exigency, such as steam turbines, heavy machine tools, rolling mills equipment, hydraulic presses, large electric alternators, electric locomotives (instead of steam ones), trolleybuses, etc. An additional program was chemical equipment (high pressure vessels), food and tobacco machines, etc. [106], [107], [108]

The company also focused on investment activities. From 1955 to mid-60's, over CZK 3,788 million was invested to the construction of new production means of the enterprise. Since 1958, Skoda had the status of a productive-economic unit and it was a larger complex of works again; for example, ironworks in Rotava, engineering works in Rokycany and engineering works in Klatovy were incorporated. It supplied goods to more than 60 countries, export rose more than twice (by 113.5%) and production volume increased by nearly a half in comparison with the previous decade. At that time, the works had more than 70,000 employees and the gross production volume was about CZK 5,2 billion annually. These and many other indicators made the enterprise one of the industrial giants not only in Czechoslovakia. In foreign countries, Skoda provided not only supplies but also people for constructing large industrial plants such as engineering and metallurgical combine in Ranchi, India (this contract was the largest foreign contract in the history of the enterprise), as well as foundries and power plants in Cuba, sugar-cane mills in Ghana and elsewhere. [109], [110]

On 1 July 1965, a branch company SKODA was established, but the Pilsner part kept its name V. I. Lenin Works. The company incorporated Dysina works producing compressors and waste cast irons with foundries in Chrast, Brasy and Potucky, and some non-Pilsner enterprises producing equipment for power utilities – First Brno Engineering Works and CKD Blansko. The first half of the 70's was very successful for Skoda. In 5 years, Skoda workers manufactured goods worth almost CZK 27 billion and the enterprise dispatched machine tools worth more than one and a quarter billion crowns, over 58,000 tons of

rolling equipment, 70 steam turbines, and over 1.5 million tons of steel were melted. Skoda became the general supplier of nuclear power plants. Czechoslovakia's industrial core was enriched by Skoda's production and installation of technological equipment for ten foundries, modernization of a series of rolling mills, production line of cars, and building of precast-concrete works, ceramic works, paper works, etc. Machinery and equipment supplied to both developed and developing countries in Africa, Asia and Latin America strengthened Czechoslovak foreign trade. Compared with the post-war period, production volume increased nine times and labour productivity (at reduced working time of approx. 43 hours per week) increased six times. In late 70's, Skoda Works accounted for more than 25% of the production in the West Bohemian region. [111], [112]

In 1978, SKODA, branch company Pilsen, comprised a total of 21 works, including 16 based in Pilsen and 5 based in other parts of the country. A year later, a new group arrangement of the productive-economic unit SKODA was made, which fell apart in late 80's and 8 separate group companies were formed. After 1989, the company got into difficulties associated with the loss of traditional markets, and thus there was a significant decline in sales of machinery and equipment for the domestic market and export. In 1990, a joint-stock company SKODA Pilsen Group was established and three years later, the joint-stock company Skoda Pilsen transformed into a holding corporation and the former members of the group transformed into subsidiaries Ltd. [113], [114]

At present, the logo with the winged arrow is only used by three of Pilsner companies: Skoda Power (turbines producer), which is since 2009 a subsidiary of Korean company Doosan Heavy Industries and Construction. Furthermore, by Skoda Transportation (rail vehicles and trolleybuses) and Skoda JS (nuclear engineering). [115], [116]

## 2.4 Pilsen Today

### 2.4.1 Basic Information

At present, Pilsen is the fourth largest city of the Czech Republic and the second largest city in Bohemia, with a total population of over 170,000 and an area of 125 km<sup>2</sup>. The city is divided into ten districts with their own local authorities. (See Annex) Nowadays, Pilsen is also the European Capital of Culture for 2015.<sup>20</sup> [117], [118]

### 2.4.2 Symbols of Pilsen

#### ▪ Municipal coat-of-arms

The municipal coat-of-arms is a precious heritage of the city, which embodies the identity of the city and reflects its history. This version has been in use since the 16th century. As you can see, there are several motifs of female greyhound, which expresses loyalty to the Catholic Church the Czech King. The golden Bactrian camel in green (formerly in blue) field was there to commemorate the acts of Pilsner citizens during the unsuccessful siege of the city by Hussites, two golden keys and the armiger with a sword symbolize the Pope (Paul II) and his office as well as the relation of Bohemia and the Roman empire. The high golden cross with the words “In hoc signo vinces” (“In this sign you shall win”) was added to the coat-of-arms by the Pope Gregory XIII (as a proof of the victory of the Catholic party). The character was also complemented by an angel – shield-bearer (in the 15th century). [119]

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<sup>20</sup> The European Capital of Culture is one of the EU projects, introduced in 1985. The title is awarded every year to two EU cities. The year 2015 was chosen for the Czech Republic and Belgium. Out of two Czech cities (Pilsen, Ostrava), the choice was eventually Pilsen, whose advantage is for example its great creative potential and tradition; it has all the prerequisites to represent the Czech Republic thanks to its easy accessibility and existing as well as planned infrastructure; thanks to the global brand of beer is not necessary to explain the name of the city, and the geographic location of the town is also convenient (near the border at the confluence of four rivers), etc. In Belgium, the title was awarded to Mons. [120]



- Banner

Banner (flag, ensign, standard, etc.) of the city has four fields. In the mast part, the upper field is white and the lower field is green, in the fluttering part, the upper field is yellow and the lower field is red.

- Colours

Colours of Pilsen are derived from the coat-of-arms, i.e. white, yellow, green and red.

- City seal [121]

### **2.4.3 Places of Interest and Activities in Pilsen**

Pilsen boasts a historic centre with a Gothic cathedral (St. Bartholomew Cathedral), which has the highest tower in Bohemia (103 m) and was founded together with the founding of the city (1295), a Renaissance town hall (from the XVI century), which is ranked among the most beautiful Czech Renaissance buildings, the Great Synagogue, which is the second largest building of its kind in Europe, and other architecturally valuable buildings. There are also a number of schools, primary and secondary as well as colleges and three universities – University of West Bohemia, Faculty of Medicine of Charles University (the first university in Pilsen, inaugurated in 1945) and the Metropolitan University Prague. Pilsen is also a cultural city and home to many theatres (J. K. Tyl Theatre, Chamber Theatre and others), galleries (for example Gallery of West Bohemia in Pilsen, Pilsen City Art Gallery), cultural centers (Municipal Meeting House, House of Culture Peklo, House of Culture Serikovka), various concerts and cultural events take place (Liberation Festival, Historical Weekend, In the Street, Science and Technology Days in Pilsen, Apriliada Fun Fest, Students' May Celebration, Pilsner Fest and many others) and festivals (such as festival of Czech films Finale, festival Theatre or the International Folklore Festival). There are also various markets (St. Martin, Christmas, Easter and others), etc. Besides the above mentioned events and sights, the attention of visitors, citizens and tourists is also attracted by the Pilsner

Urquell brewery and Brewery Museum, Zoo, Dinoparc and botanical Garden, which is considered as one of the most beautiful not only in Bohemia but also in Central Europe; Pilsen historical underground 17.5 km long, the largest in Central Europe, Skoda Museum and lately also the Techmania Science Center. Pilsen also offers sport activities, there are many playgrounds, courts, fitness centres, winter and football stadium, swimming pools, nature trails, cycling paths and others. Pilsen surroundings offers tourist destinations such as Kozel castle, Radyne castle ruins, Nebilovy castle and others. For those who would like to spend a day in Pilsen in a different manner than practicing sports, there are many restaurants, cafés, clubs, bars, pubs, hotels, shopping centres, parks and pleasure grounds. [122], [123]

### **3 OVERVIEW OF THE IMPACT – FROM THE HISTORY OF THE ENTERPRISES UNTIL PRESENT**

Much has already been mentioned in previous chapters when dealing with the historical development of the enterprises. A brief summary will be made and then the impact of the enterprises on the development of the city in various fields will be pointed out. Only some of the specific cases will be highlighted.

The construction of the brewery itself brought the extension of the city boundaries. The interest in beer was on rise thanks to its taste and beer was supplied to more and more distant places. And since the city was in the name of the beer (Pilsner Bier, Pilsner Urquell), it became known to many people abroad. In addition, both the brewery and Skoda Works attended several exhibitions, where they won various awards, which attracted more attention to these enterprises. With increasing demand, the production grew as well and in 1959, the volume of 1 million hectolitres was surpassed. The same can be observed in the Skoda Works, which thanks to its wide production program secured more and more contracts. It followed that the enterprises invested in their growth and innovation. The prosperity of the two enterprises meant a lot to Pilsen. Growth of business implied growth of the city. As a consequence of the industrial boom, a small town became a city. Both enterprises attracted to Pilsen many professionals in various fields (technicians,

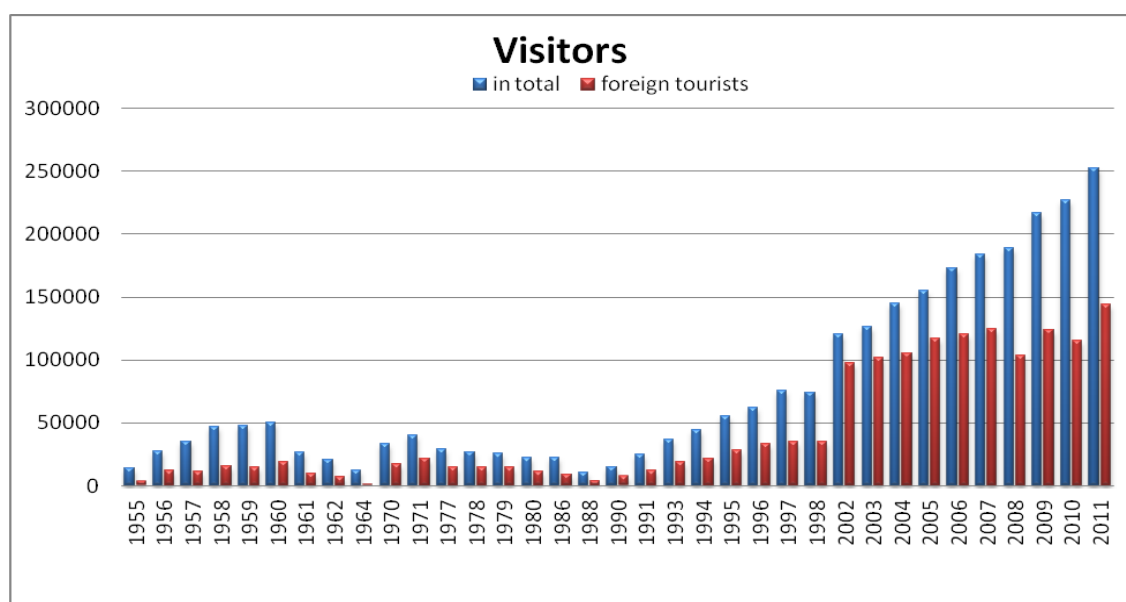
designers, craftsmen, etc.) and gave employment to thousands of people, which led to an increase of population, which led to many other things – the need for housing, increased demand for food, clothing, etc. (Due to the lack of beds for guests coming to the city, Skoda had the Hotel Skoda or “Foreigner House” built in the 60’s.) [124]

Even nowadays, the Pilsner Urquell brewery and Skoda (in particular SKODA JS a.s. and SKODA TRANSPORTATION a.s.) rank among the biggest employers in the city. [125]

Apart from experts or potential employees, both enterprises attract many visitors to the city. Visitors can take advantage of the offer to visit the two enterprises or visit the brewery museum, or the modern interactive (scientific) Techmania centre.

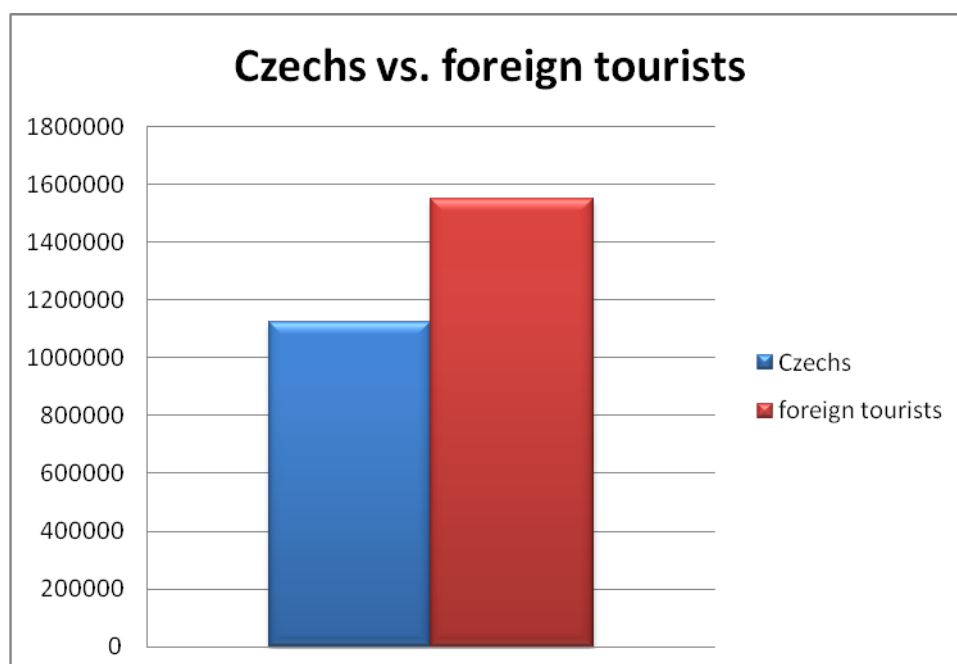
The following charts show the number of visitors to the brewery since 1955, the ratio of foreign tourists and Czechs vs. foreign tourists.

Chart 3: Overview of visitors



Source of Chart 3: Made by author based on information from brewery Pilsner Urquell [126]

Chart 4: Overview of ratio of Czechs vs. foreign visitors



Source of Chart 4: Made by author based on information from brewery Pilsner Urquell [127]

### 3.1 Cooperation with the city

Both businesses also closely cooperate with the city. They contribute to financial support of various projects. For example, Pilsner Urquell and SKODA JS a.s. are partners of the "Pilsen 2015" project, related to the winning of the "European Capital of Culture 2015" title. The city intends to build a new theatre, an art gallery and a public library. [128], [129]

Pilsner Urquell through its "Urquell to the people" program contributes not only to the support the development of the Pilsen region but also to the support of regions where the company has its breweries (besides Pilsen also Frydek-Mistek region and Velke Popovice). "Urquell to the people" builds on activities of its predecessor – program "Citizens Choice", which, just like the current project, supported transparent projects that helped represent the region in the eyes of the general public

and in particular contribute to the improvement of the lives of citizens in the region (“from cultural festivals to sports facilities, playgrounds and cycling paths to support of publication of interesting books, protection of ancient manuscripts in the library or support of the disadvantaged”).

Within the project, over 60 million crowns were divided and over 270 projects (of which in the Pilsen region, 135 interesting projects were supported by an amount of CZK 38 million) were supported in nine years. This year, the tenth year of the “Urquell to people” program will take place, where non-profit and governmental organizations interested in this project can apply for a donation amounting to CZK 5.5 million. (Annex 4 shows the methods of selecting the projects.) [130], [131]

## 3.2 Culture

Both companies contributed to the raise of cultural life in Pilsen.

- Zoological garden in Lochotin – The beginning of the zoological garden dates back to 1900. The zoological garden was located in an unsuitable area above the river Radbuza under a gasworks. In order to better serve the public, it was moved in the 60’s to Lochotin area, formerly known as “Kodet’s Farm” where it has been located to date. In addition to West Bohemia Gasworks, Skoda Works and Pilsner Breweries contributed to its reconstruction. [132]

- Company Clubs – In the past, company clubs were given considerable attention. Clubs organized leisure and educational activities, various courses, developed folk creativity in ensembles, hobby groups, etc. Skoda Works owned the Skoda Company Club, which was the largest company club in Pilsen. In 1949 it took over the building of Municipal Meeting House in Kopecky orchards, and it also had many branches, for example in Doudlevce and Karlov. In 1955 it took over another building in Bory, called Svazacek, and in Slovany. [133]

- The Skoda Works also owned recreational centres (Modrava, Belveder). [134]

- On the other side, the brewery contributed to the construction of the theatre in the 19th century and it administrated the theatre itself (see below). [135]

- Both companies are also going to contribute financially to the construction of a new theatre (in the context of the European Capital of Culture 2015), which will be located in the area close to the shopping centre Plaza. [136]

### **3.3 Education and Training**

In this area, the representative is mainly the Skoda Works.

- The company Skoda Works established a vocational school in Skvrnany with a boarding house for apprentices in Cechova Street. [137]

- Under its auspices, the College of Mechanical and Electrical Engineering in Pilsen was established in 1949. The company supplied the college with a considerable number of teachers, and the graduates found their place in the company. Even nowadays at job fairs, work is offered to fresh graduates of these study programs. [138]

- The brewery also established a vocational school with a boarding house for apprentices in Litice. [139]

- Skoda Works also established a network of nurseries and kindergartens with a capacity of 700 places. [140], [141]

### **3.4 Environment**

From this perspective, both companies stand in a rather negative light.

- Given to the location in the inner centre, the Skoda factory polluted the air, thus deteriorating the living conditions of people living near the factory.

- Both enterprises were among the major polluters of water in Pilsen. Skoda Works attempted to reduce the impact on water pollution by building its own Central cleaning station of industrial waters. [142]

- Fly-ash separators were installed in Skoda Works and Pilsner Breweries. [143]

### **3.5 Health Care**

- Skoda established a Department of Internal Medicine at the City Hospital in Pilsen (in Sady 5. kvetna), which helped to solve the critical situation of shortage of beds in the 50's. [144]

- In 1966, a clinic of internal medicine and surgical, gynaecological and obstetrical clinics were established in the company hospital. [145]

- Until the end of the 70's, Skoda founded a total of 22 company medical establishments and 2 company hospitals in Pilsen and Letiny. [146]

- Today's Mulac Hospital formerly belonged to Skoda and served the needs of its employees.

- On the other hand, in 1991 the brewery donated a laser scalpel worth CZK 1.1 million for operations of tumours of the airways to the University Hospital in Pilsen. [147]

### **3.6 Sport**

- Sports club Skoda Plzen – Skoda football club, ice-hockey club, handball and others. [148]

- Sports club Slavoj Plzen [149]

- In 1961 Skoda financially contributed to the construction of the sports complex in Strunc Park (at present Doosan Arena). [150]

- Pioneer camps were organized for the children of the employees. [151]

- Skoda also established sports complexes Skodaland at the Bor dam and a Skoda Sport Park with skateboard playgrounds, in-line track, beach volleyball court, etc. [152]

### **3.7 Construction**

- Skoda contributed to the construction of flats (mainly corporate flats for its staff). The first flats were built in Lochotin, this was called Berlin, in Bory and later the construction spread all across the city (in 1973 the company had a housing stock of 4,578 housing units). [153]

- The brewery established e.g. corporate houses around the brewery and Lochotin. [154]

- It also contributed to the construction of barracks and the construction a theatre building in the 19th century. Funds for the construction of these buildings were taken from the Burgher brewing treasury (each burgher brewer had to pay a certain amount of money to the common treasury. Money was then used for various expenses, such as construction and innovation. These funds were also used for the construction of the brewery itself). [155]

- In addition to these buildings, the brewery had, at various major events such as commemoration of the respective famous day, built for example the following:

- city orphanage – to the benefit of orphans of Pilsen as a commemoration of launching the railway siding.

- To commemorate the 50th anniversary of the brewery, the brewery donated money for example for the following:

- votive window for the archdeacon church in Pilsen;
    - to build a pavilion of the new general hospital in Pilsen;
    - to build another orphanage;
    - society supporting the poor;
    - city poorhouse. [156], [157]



- When Pilsen was hit by a flood in 1845, the brewery provided financial support for areas affected by the flood in Bohemia and damaged places in Pilsen. [158]

## **4 THE FUTURE VISION OF THE CITY**

### **4.1 Pilsen Development Programme**

Pilsen Development Programme is a project introduced by the city, in which experts and the public work together to analyze the past and the present, and on the basis of a complex analysis then seek a vision for the future. The result is the transfer of the vision of the future city into particular objectives, measures and projects that are still underway. The document is open and continuously updated according to changing external and internal conditions of the city. It consists of three parts – analysis, design and implementation. The following section is an excerpt from this program, chapter 4, pages 50 and 51. [159]

#### **First Development Pillar**

Plzeň wants to be an economically strong, modern city competing on the European level. It will focus on innovation and the locating of modern industries with high added value.

The development of education and the improvement of educational levels are understood as a key factor in competitiveness and high employment and a necessary precondition for the successful development of the local economy. The city intends to provide the framework for offering appropriate education.

The transfer of expertise from universities and research facilities to businesses will be promoted through direct and indirect means such as technology parks, IT centres, innovation centres, conferences and symposiums. The city will extend the range of attractive housing with the aim of keeping graduates in the city and attracting educated and skilled people, and will improve the its image.

## **Second Development Pillar**

Plzeň will develop its status as a cultural and social centre, not only on the regional level but also in the wider arena.

Leisure facilities and services will be expanded for the benefit of both inhabitants and visitors.

Tourism development will focus on promoting significant cultural and sporting events and conferences.

Plzeň will give people back the city centre. The historical square will become an attractive place for people to spend their leisure time, which will also serve to make the square a more attractive place for doing business. Plzeň will seek business partners, visitors and customers from across Europe and will provide them with co-operation as well as a place to do business or take a holiday.

## **Third Development Pillar**

Plzeň will systematically develop its internal environment so as to become a pleasant place to live in. Quality of life is understood as a basic condition for achieving the status of a city of European significance and an attractive economic, social and cultural centre.

The city will continue with the regeneration of the built-up areas and will establish interconnections between individual urban areas, the surrounding countryside, and neighbouring municipalities.

The city and its close environs will be perceived as work of art, with an emphasis on achieving a balance between its constituent parts, linking the city centre with its surroundings, interconnecting urban areas, the choice of colours and their effect on inhabitants, the cleanness and attractiveness of public places, the use of environmentally friendly technologies, and adherence to principles of sustainable development when planning future construction work and managing of the city's development.

## **Practical Basis for Development**

Plzeň intends to give attention to all other aspects of life involved in creating a properly functioning city where contented people live and contented visitors wish to return.

Plzeň will deal with the main problems outlined as a matter of priority. It will create the conditions for an increase in population; reduce car traffic; introduce a new system for promoting the city; create the conditions for new activities for safeguarding employment; elaborate and implement an effective system of capital-construction co-ordination and create strategic property portfolios for ensuring its development; optimize asset management; and draw up a scheme for anticipating the effects of crisis situations. [160]

## **5 INTERVIEWS**

### **5.1 Employees of Pilsner Urquell**

This chapter focuses on interviews in person or by e-mail with current or former employees of the two companies. For Pilsner Urquell, it was Ing. Pavel Zitek, business maltster, Bc. Ondrej Hemzacek, guide in the brewery and also a student of the University of Economics in Prague, and Ms. Micova, modern delivery woman.

I asked Ing. Zitek:

#### **1) What is your position?**

I am currently working as a business maltster. This job belongs to the shopper marketing department, which means I am in charge of beer on the market (restaurants and supermarkets).

#### **2) How long have you been working in the brewery?**

This year on 13 June I will have been working for Pilsner Urquell for 30 years. My first contact with the brewery, however, dates back to 1973 when I joined the brewery as an apprentice. Later, when studying at a vocational school and at the Institute of Chemical Technology in Prague, I worked in the brewery during my internship and as a part-time worker.

#### **3) What influenced the sale of beer?**

Beer sales are influenced by many factors, such as the purchasing power of the population, weather, but also the geographic location of the country and region. Most beer is drunk in Central Europe, in Bohemia, Bavaria and Saxony. Even within the country there are differences in consumption among regions; Prague, Pilsen, Ostrava region but also Domazlice region are regions with high consumption of beer.

**4) Comparing the past with the present, are there any notable changes?**

Definitely, beer is also subject to fashion trends and moods. These days, the consumer (I prefer the word customer) prefers lagers (11 and 12% beers) to tap beers (10%). Also, the popularity of specialty beers of 13% and more is on the rise as well as of beer made from wheat malt, so called Radler, beer with juice and so on.

**5) Did the growing sales of beer (or the brewery itself) influence the development of Pilsen?**

It is a difficult question. It definitely did but it is hard to say how the production of beer correlated with the development of Pilsen. Burgher brewers and shareholders definitely contributed financially, and not little, to the municipal treasury. They were often the same persons.

**6) Does it have any impact on Pilsen at present? (Cooperation with the Municipal Council on financial support of some activities, cultural events, construction of buildings, playgrounds, reconstruction of sights, etc.? I have heard about the “Urquell to the people” project, is there any other form of supporting the city?)**

Of course, the most visible project is “Urquell to the people”. Pilsner Urquell and the city of Pilsen even have a cooperation agreement. This was put into practice during the construction and reconstruction of the sewage treatment plant that serves the city as well as Urquell. Funds were put together to avoid situation where the city and the brewery have their own sewage treatment plant with unused capacities.

**7) Since 1999, the majority owner of the brewery is SAB (SABMiller), has anything changed?**

A lot has changed, but in respect to PU, not the city of Pilsen and the cooperation with the Municipal Council. What also remains the same is the technological process of Urquell beer production and more or less also Gambrinus beer. At present, Pilsner Urquell is an

important member of a multinational brewing company, the second largest in the world. I would compare it to the changes undergone by Skoda Mlada Boleslav. Both companies gained gloss by the entrance of a foreign partner and they are admired around the world, which raised the awareness as well as business successes of the brands.

The other interviewed person was Bc. Ondrej Hemzacek, a student of the 5th year of the University of Economics in Prague and a guide in the brewery.

**1) What is your field of studies?**

My field of studies is Economic policy.

**2) How long have you been working in the brewery?**

It will be 2 years in May.

**3) Do you know why there are the dates 1842–1892 on the brewery gate?**

Because on 5 October 1842, a young Bavarian maltster Josef Groll brewed the first beer and in 1892 (the 50th anniversary) the gate was built, like a victory arch.

**4) From the economic point of view, what influences the development of the city?**

Almost everything influences the development of the city. There are so many breweries here because the city had the brewing right, which gave it a certain monopoly on beer production, and the neighbouring villages had to buy it. The city had more rights and thus had the opportunity to make a profit, unlike other towns. During the industrial revolution, the population rose rapidly, so there was space for more breweries because of the outlook for growth in demand for beer in Pilsen. During the industrial revolution, Pilsen became a big industrial centre (probably also because the coal mined in the vicinity). And the engineering industry grew mainly because Skoda Works secured a lot of public contracts (arms and

locomotives) (in my opinion). Another economic reason will be that Pilsen is situated on the way to Germany from Bohemia; it was certainly of great importance.

**5) Do you think that the brewery participated in the development of the city?**

Absolutely, first of all it was one of the largest employers in the past. And if you look at it, there had to be great investments that employed builders, mechanical engineers, etc. And nowadays it is the 3rd or 4th most visited tourist destination, so it definitely has the impact on tourism and tourism is connected with hotels, restaurants, shopping, etc. And those projects like “Urquell to people”, even if it is a small part of total benefits (this year it will be CZK 5 million and only on taxes the city will collect a huge sum, given that the brewery is among the 10 largest taxpayers). In the Commercial Register, the company’s registered office is Pilsen, so those tax revenues will flow into the city. And nowadays Pilsen and the brewery are connected; even on the highway from Prague there is a banner to visit the brewery. And 70% of the world's beers are Pils, Pilsner or Pilsener types of beer. And many people come to Pilsen to the Pilsner Fest. Look at the history of brewing in Pilsen. After Urquell, Gambrinus emerged, then Prior and eventually Svetovar. So brewing had to be really profitable if so many people invested in this field. Although after the WWI only 2 were left out of 4 and they merged, but that was due to the great force of Urquell.

**6) Is there (yet another, any) enterprise that influenced or influences Pilsen?**

I would say that lately it is Viktoria Plzen, if they hadn’t heard of Pilsen so far in Barcelona, now they have. And the club received a lot of money, so a new stadium was quickly built. And it perhaps influences the cultural part of life. But it would be necessary to go through newspapers over the past year and some foreign sports ones as well. And I don’t know how much taxes Viktoria paid.

## **7) Did anything change after SABMiller purchased the brewery?**

Certainly foreign investment flew to the company; see the new bottling plant for a billion or the new brew houses. And the brewery got rid of debts very fast and uses the SABMiller's capital instead of other foreign sources. I bet that this is most important, because in comparison with other breweries the risk of not obtaining enough capital isn't as high. And Urquell also includes Kozel and Radegast, so it has a dominant position on the market. Well, I'm sure SABMiller enriched the brewery with some know-how in terms of better management of the company, etc. They definitely had more experience than the Czechs, who were used to a completely different version of the economy before the 1989.

I don't know much about the cooperation with the city but I can imagine that it is very close, but secret. For example if you notice that every time something is happening in the square, Urquell has a huge tent there. But my fantasy doesn't reach the secrets of the town hall. However, the influence of the brewery on the Municipal Council won't be little.

For example the brewery museum and the city underground used to belong to the city, now it's run by the brewery.

The last interviewed person was Ms. Micova, a modern delivery woman.

**1) What does your job consist of?**

Riding a cart, I do the rides for the brewery for advertising purposes – a regular route through the city centre + stops. Guiding tourists around the brewery. Other special events. I used to distribute beer to pubs.

**2) How did you get to this job?**

I inherited this job from my father who used to drive for the brewery in the 50's and from 1990 to 2006.

**3) Do you inherit this job from generation to generation and to what time does it date back?**

I am the third generation, carrying trade since 1920.

**4) I have heard you wanted to cancel your job but you are staying, however, your work is going to change. In what way, what are you going to do?**

Advertising purposes, distribution of beer on special events.



## 5.2 Employees of Skoda Works

The second company I deal with in my thesis is Skoda, where I asked some more questions. I focused on the age groups from productive age to retirement. The aim of my questions was to find some interesting information and views of the people interviewed. For comparison, I asked them the same questions. Among the people interviewed there were Jiri Vohradsky, Ing. Josef Votava, Ing. Jan Civis, and two other people did not want to be named, so they are designated as Anonymous 1 and Anonymous 2.

### 1) Job, company

Jiri Vohradsky: Railway engineer – mechanical engineering.

Ing. Josef Votava: Currently ETD Transformatory a.s. which belong to BEZ Bratislava – laboratory technician – QUALITY MANAGEMENT

Ing. Jan Civis: Testing technician, ETD Transformatory a.s.

Anonymous 1: Quality technician, ETD Transformatory a.s.

Anonymous 2: Testing technician

### 2) How long have you been working or were you working for Skoda?

Jiri Vohradsky: I am retired now, I worked in Skoda traffic engineering for 35 years.

Ing. Josef Votava: 18 years in three works

Ing. Jan Civis: I have been working here for 2 years.

Anonymous 1: 7 months

Anonymous 2: 2 years

**3) Do you think that Skoda had (a great) influence on the development of Pilsen?**

Jiri Vohradsky: Essential, at certain time there were 30,000 people working in it in Pilsen.

Ing. Josef Votava: SKODA HAD A GREAT INFLUENCE OF THE DEVELOPMENT OF PILSEN AS A CITY, you could see in the shops when the payday was, in the 70's and 80's it was employing 40 to 45 thousand of people.

Ing. Jan Civis: Yes.

Anonymous 1: Yes.

Anonymous 2: Definitely, many people found work there.

**4) Is there any enterprise in Pilsen that had or had influence on its development?**

Jiri Vohradsky: Urquell and Gambrinus breweries.

Ing. Josef Votava: Currently there is probably no large enterprise in the city which would have an impact on the development of the city.

Ing. Jan Civis: Nowadays for example Doosan Power Systems (reconstruction of the football stadium in Strunc Park), Skoda Electric a.s. and Skoda Transportation (public transport – trolleybuses, trams).

Anonymous 1: Probably not.

Anonymous 2: I don't know.

**5) What makes Skoda different from other engineering works?**

Jiri Vohradsky: It had a tradition, it has been producing reliable products at international level.

Ing. Josef Votava: The exceptionality of Skoda is in its world tradition – the winged arrow brand.

Ing. Jan Civis: I don't know.

Anonymous 1: Nowadays not any more.

Anonymous 2: For example Skoda Transportation is exceptional because it is able to assert on the market alongside such giants such as Siemens or Bombardier.

**6) In its origins, Skoda Works did not stand out among other engineering works, what make it an industrial company with national importance?**

Jiri Vohradsky: It had broad production facilities.

Ing. Josef Votava: Thanks to its precise work, the amounts and timeliness, and reliability of supplies it could further develop in engineering as well as metallurgy and this way enter the world's markets.

Ing. Jan Civis: Skoda was able to supply all components for example for a construction of a new power plant (transformers, generator, turbines, etc.).

Anonymous 1: Complex supplies, arms production, power engineering (nuclear and other), research centres.

Anonymous 2: Probably arms production and their high quality. At the beginning of the 20th century it was a crucial field for the state.

**7) Why a country like China used Skoda's products? (Do you think that some products are only manufactures by Skoda?)**

Jiri Vohradsky: China is huge and it needs many machines. We are in the EU and that is a guarantee.

Ing. Josef Votava: Skoda sold to China for example generators for the Shen Tou power plant because China wanted expressly Skoda brand, since they are high-tech, reliable and they were part of the socialist block and were cheaper than other brands.

Ing. Jan Civis: The name Skoda is known around the world and even nowadays, Skoda is able to compete with large foreign companies, such as Siemens. A guarantee of quality of the product.

Anonymous 1: Reliability and reliability of Skoda products, modernity in the past.

Anonymous 2: Skoda was known for its robustness and quality of work and had a broad scope of activities, that made it a good partner for large supplies (e.g. for the construction of power plants).

**8) What belongs to the main portfolio of your company? Or does it depend on the demand?**

Jiri Vohradsky: Traffic engineering produces el. locomotives, el. motor units, and subway and street cars.

Ing. Josef Votava: Our company engages in production, commissioning, servicing and repairs of transformers.

Ing. Jan Civis: Production of transformers (3-phase, 1-phase) with power ranging 16 MVA to 300 MVA for distribution points, transformer rooms and power plants.

Anonymous 1: Power transformers, reactors + servicing.

Anonymous 2: Production of power transformers for power plants and distribution points.

## 6 CONCLUSION

In the past, the vista points of cities were castles and chateaus, nowadays they are factory chimneys. Row houses stand where there were fields. Black tyre tracks are where there were horse traces. Where human labour was needed, it is mainly machine work nowadays.

Industry has replaced manufactory almost everywhere in the world. Thanks to its development, Pilsen grew into a city in more than 100 years. Whether the Pilsner Urquell brewery and the Skoda Works contributed to the development of Pilsen was the subject-matter of the thesis. Before proceeding to the answer to this question, it was necessary to focus on the period before the founding of both companies. Therefore, I briefly dealt with the history of Pilsen since its foundation in order to provide the reader with coherent information and point out some connections which would be dealt with later so that I needed not explain them to the reader then. I also provided a general view of the city and its future visions, as well as collected information through interviews with current and former employees, which could possibly interest the reader. The largest part of the thesis deals with the history of enterprises, in which I also attempted to simultaneously capture the history of Pilsen. In this context, my aim was not to write only the bare facts, but if possible to identify the reasons why that happened or to mention information that might be of interest for the reader. After that, the previous section was summarized as to find out whether any impact on the city had been noted and other findings were stressed which I found out when preparing the thesis. The aim was to obtain as much information as possible, therefore a total of 18 people were interviewed including, besides employees of both companies, also Municipal Council employees. Unfortunately, I was not always able to find out the information that would be beneficial to my thesis. Despite that, enough information was collected to use it as a basis (the reader can judge from the discussion in chapter 3) for the statements that the two companies had a great impact on the development of Pilsen; not only from the industrial and economic point of view, but also territorial, cultural, educational, social and many others. During the investigation, it was also found out that the two companies still do influence the city. At present, it is mainly in terms of sponsorship and collaboration with the city (financing of cultural events, buildings, reconstruction, etc.). They also contributed to

the influx and interest of tourist not only from the Czech Republic but also from abroad. In my opinion, the bachelor's thesis presents answers to the question in a sufficient manner.

A possible follow-up work on this topic could examine whether in the past there was yet another enterprise that in some way influenced the development of Pilsen or it could compare or contrast the impact of the two enterprises with other enterprises or entities located in Pilsen at present.

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## **9 ABSTRACT**

This bachelor's thesis was prepared in order to determine whether the Pilsner Urquell brewery and the Skoda Works were involved in or somehow influenced the development of the city of Pilsen. To obtain an answer to this question, the history of both enterprises to the present was described in detail but concisely, emphasising the relation to the city. The history includes a number of historical events that affected both the city of Pilsen and the companies themselves. Therefore, an effort was made to explain the significance and impact on these entities. Apart from the history of the companies, the thesis also deals with the history of the city, its present and a general vision for the future. The thesis also includes a lot of economic information and charts which illustrate and confirm the claims. The bachelor's thesis also aimed to be very informative and to contain information not often published, so that the reader himself can draw conclusions. The thesis is divided into several chapters with a logical sequence. It is also supplemented by interviews with current and former employees of both companies. Based on all information gathered, the answer to the question posed is that both companies contributed significantly to the development of Pilsen and still have an impact on it.

## 10 RESUMÉ

Tato bakalářská práce byla vypracována za účelem zjištění, zda se pivovar Pilsner Urquell a podnik Škoda podílely či nějakým způsobem ovlivnily vývoj města Plzně. K získání odpovědi na tuto otázku je v práci detailně, ale přitom stručně popsána historie obou závodů po současnost, s poukázáním na spojitosti s městem. S historií je spjata řada historických událostí, které se dotkly jak města Plzně, tak samotných závodů, proto také snahou bylo vysvětlit, jaký to mělo význam a dopad na tyto subjekty. Kromě historie podniků, je v práci zahrnuta i historie města, současnost a obecná vize do budoucnosti. V práci se také vyskytuje mnoho ekonomických informací či grafů, jež znázorňují či potvrzují daná tvrzení. Snahou bakalářské práce také bylo, aby práce byla velmi informativní, obsahovala informace, které nejsou běžně publikovány a zároveň, aby si sám čtenář mohl vyvodit závěr. Práce je rozdělena na několik kapitol s logickou posloupností. Práce je také doplněna rozhovory se současnými či bývalými zaměstnanci z obou podniků. Na základě všech získaných informací, odpovědí na danou otázku je, že oba tyto podniky se velmi zasloužily na vývoji města Plzně a stále na něj mají vliv.